MCDONNELL DOUGLAS

LISA A. WIDMIER Manager of Development Analysis

MCDONNELL DOUGLAS REALTY COMPANY 18881 Von Karman Ave., Suite 1200 Irvine, CA 92715

(714) 833-2133 Fax (714) 863-9462 InterOffice Memo

1-310-593 - 3638 VIA FAX 1-310-593-2980

To:

Ken Velten

Director, Commerical Aircraft Business Activities

From:

Lisa Widmier-Dowd, MDRC

Date:

January 22, 1993

Subject:

LAND VALUE RESIDUAL OF TORRANCE AND DAC-LONG

BEACH

Pursuant to your request, I have performed a land value residual analysis on the 170.31 acre Torrance site and extrapolated this value analysis to the 370.32 acre DAC-Long Beach site.

The land value residual is derived as a function of anticipated pre-tax cash outflows and inflows over time which the buyer will incur as he develops the site discounted back at the buyer's hurdle pre-tax internal rate of return. In other words, it is the highest price the buyer can pay for the land and still meet his internal rate of return benchmark.

Please call me with any questions or further requests. I will be happy to assist you.

CC: Thomas J. Motherway

MDC -DAC C1 LONG BEACH SITE

LAND VALUE RESIDUAL ANALYSIS - January 1993

SPECULATIVE DEVELOPMENT

KEV ASSIIMPTIONS:	SNO					STECOLATIVE DE	VELOTIMENT				•
Property Use:	Buy to demolis	sh existing buildin	Buy to demolish existing buildings and sell land to corporate	corporate							
	industrial users	s within master-pl	industrial users within master-planned industrial park.	ark.							
Gross Acreage		•	•	370.32				A STATE OF THE STA			
Net/Gross Ratio				87.20%							
Net Acreage				322.92							
Net Salable Site SF	SF			14,066,353		Ŧ.				e distriction of the second	
Land Sales Price	-Corp. Indust U	Land Sales Price-Corp. Indust User(Finished Pads)	(S	\$27.00	(1993\$)					-0 - 4 A	
Cost of Land Sales(% of Sales Price)	les (% of Sales	Price)		1.00%							
Initial Land Sale				1996						ŧ	
Ann. Grnd Water Treatment(Paid by Seller)	ır Treatment(Pa	id by Seller)		0\$	(1993\$)						
Initial Remediation(Paid by Seller)	on(Paid by Selle	er)		\$0.000	(Millions\$)						
Buyer Purchase	Transaction Co	Buyer Purchase Transaction Costs& Due Diligence	30	\$500,000	(1993\$)	Discount Rate =		20.50%			
Seller's Cost of Transaction	Transaction	•		\$300,000	(1993\$)	(Represents Pre-tax Hurdle Rate)	x Hurdle Rate)				
Demolition per existing building GSF of	xisting building		8,526,369	\$1.87	(1993\$)						Time
Infrastructure Co	osts per Net Sa	e Sque	Feet	\$0.42	(1993\$)	LAND VAI	LAND VALUE RESIDUAL DCF METHOD	SF METHOD			-
						(In Thousands\$)					
	2	Land Sales	Annual Net	Cum. Net		Property	Net Lnd	Net Pre-Tax		Buyer's	Seller's
	Inflation	Price	Acre Sales	Acres Sold		Cash Out	Sale Rev.	Cash Flow		ដ	P.
										(\$84,849)	\$84,549
1993	3.10%	%00.0	0	0	Buyer Trans. Cost	(\$200)	0\$	(\$200)		(\$200)	0\$
1994		%00.0	0	0	Hold	\$0	0\$	0\$		0\$	0\$
1995		2.00%	0	0	Demo/Infrastruct.	(\$21,792)	0\$	(\$21,792)		(\$21,792)	\$0
1996	4.00%	2.00%	22	22	Land Sales	0\$	\$25,568	\$25,568		\$25,568	0\$
1997		4.00%	22	43	Land Sales	0\$	\$26,079	\$26,079		\$26,079	\$0
1998		4.00%	22	65	Land Sales	\$0	\$27,122	\$27,122		\$27,122	\$0
1999	4.00%	4.00%	48	113	Land Sales	0\$	\$63,466	\$63,466		\$63,466	\$0
2000	4.00%	4.00%	48	161	Land Sales	\$0	\$66,004	\$66,004		\$66,004	\$0
2001	4.00%	4.00%	48	210	Land Sales	0\$	\$68,644	\$68,644		\$68,644	0\$
2002	4.00%	4.00%	32	242	Land Sales	\$0	\$47,593	\$47,593		\$47,593	\$0
2003	4.00%	4.00%	32	274	Land Sales	0\$	\$49,497	\$49,497		\$49,497	0\$
2004	4.00%	4.00%	32	307	Land Sales	\$0	\$51,477	\$51,477		\$51,477	\$0
2005	4.00%	4.00%	16	323	Land Sales	0\$	\$26,768	\$26,768		\$26,768	۴٩.
Avg./Total	3.87%	3.08%	323		Total	(\$22,292)	\$452,219	\$429,927		\$429,927	\$84,
								r.	In Thousands\$	Buyer IRR	NPV @ 10%
					LAND VALUE RE	LAND VALUE RESIDUAL AT HURDLE RATE =	LE RATE =		\$84,849	20.50%	\$76,862
						LAND VALUE PER NET SITE SF	SITE SF	\$6.03			
				_		LAND VALUE PER GROSS SITE SF	SS SITE SF	\$5.26			

Lisa Widmier-Dowd

MCDONNELL DOUGLAS REALTY COMPANY
VALUEDAC.XLS 1/22/933:51 PM

MDC TORRANCE SITE

LAND VALUE RESIDUAL ANALYSIS - January 1993

SPECULATIVE DEVELOPMENT

KEY ASSUMPTIONS:

												* Vot gage	-		Seller's	<u>ი</u>	\$24,358	(\$250)	(\$258)	(\$267)	(\$277)	(\$288)	(\$299)	(\$311)	(\$323)	(\$336)	(\$320)	(\$364)	(\$378)	(book)	\$20 4	NPV @ 10%	
		v													Buyer's	<u>გ</u>	(\$37,308)	(\$400)	0\$	(\$6,950)	\$10,888	\$11,105	\$11,549	\$27,026	\$28,107	\$29,231	\$20,267	\$21,078	\$21,921	\$11,399		Buyer IRR NP	
										20.50%			QC		-Tax	Flow		(\$400)	\$0	950)	888	105	549	026	107	231	267	078	921	399	220	In Thousands \$	
										20.5			DCF METHO		Net Pre-Tax	Cash Flow		7\$)		(\$6,950)	\$10,888	\$11,105	\$11,549	\$27,026	\$28,107	\$29,231	\$20,267	\$21,078	\$21,921	\$11,399	\$185,220		
											x Hurdle Rate)		LAND VALUE RESIDUAL DCF METHOD		Net Lnd	Sale Rev.		0\$	0\$	0\$	\$10,888	\$11,105	\$11,549	\$27,026	\$28,107	\$29,231	\$20,267	\$21,078	\$21,921	\$11,399	\$192,570		
										Discount Rate =	(Represents Pre-tax Hurdle Rate)		LAND VAI	(In Thousands\$)	Property	Cash Out		(\$400)	\$0	(\$6,950)	0\$	0\$	0\$	0\$	0\$	\$0	0\$	0\$	0\$	\$0	(\$7,350)		
					(1993\$)			(1993\$)	(Millions\$)	(1993\$) D	(1993¢) (F	(1993\$)	(1993\$)	7				O Buyer Trans. Cost	0 Hold	O Demo/Infrastruct.	Land Sales	Total											
•	1 / 0.3	87.20%	148.51	6,469,110		1.00%	1996	\$250,000	\$12.500	\$400,000		\$1.87	\$0.42		Cum. Net	Acres Sold		0	0	0	10	20	30	52	74	97	111	126	141	149			
					ds)					901		2,276,012	. Feet		Annual Net	Acre Sales		0	0	0	10	10	10	22	22	22	15	15	15	7	149		
					ser(Finished Pa	Price)		d by Seller)		sts& Due Diliger	l		able Site Square		CPI Land Sales	Price		%00.0	%00.0	2.00%	2.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	3.08%		
				u	orp. Indust U	3 % of Sales	•	Freatment(Pai	(Paid by Selle	ansaction Co	ransaction	sting building	ts per Net Sal		CP La	Inflation		3.10%	3.40%	3.75%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	3.87%		
	Gross Acreage	Net/Gross Ratio	Net Acreage	Net Salable Site SF	Land Sales Price-Corp. Indust User(Finished Pads)	Cost of Land Sales (% of Sales Price)	Initial Land Sale	Ann. Grnd Water Treatment(Paid by Seller)	Initial Remediation(Paid by Seller)	Buyer Purchase Transaction Costs& Due Diligence	Seller's Cost of Transaction	Demolition per existing building GSF of	Infrastructure Costs per Net Salable Site Square Feet					1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2002	Avg./Total	•	

Lisa Widmier-Dowd
MCDONNELL DOUGLAS REALTY COMPANY 1/22/933:52 PM VALUE.XLS

\$20,210

20.50%

\$37,308

LAND VALUE RESIDUAL AT HURDLE RATE =

LAND VALUE PER GROSS SITE SF LAND VALUE PER NET SITE SF

\$5.77 \$5.03

DISCUSSION OUTLINE September 24, 1992

MARKET STUDY McDONNELL DOUGLAS AND MARTIN MARIETTA PROPERTIES LOS ANGELES, CALIFORNIA

Vacant Land Prices

 Land prices for industrial land range from \$9 to \$40 per square foot and have averaged about \$15 per square foot and greatly depend on location and other land characteristics. Today there are essentially no buyers.

Tentative Conclusions

- This site has good, competitive characteristics for the development of corporate headquarters and light industrial when market conditions recover.
- The economic factors for financially viable speculative light industrial development will not be in place for several years.
- The site should be able to capture its fair share of the submarket's absorption.
- Including the subject properties, there are probably 700 to 800 acres of vacant industrial land in the submarket.
 - Long-term average annual submarket absorption rates of 50 to 60 acres per year imply a 12- to 16-year absorption period for this land.
 - The average annual absorption rates reflect very little absorption for the next two to three years, relatively high rates during the mid- to late-1990s and low rates during the next recession.

OFFICE MARKET OVERVIEW

- The subject properties are located in the 190th Street Corridor micromarket within the South Bay submarket
- The South Bay Submarket has been plagued by high vacancy rates, low rents and a large number of bankruptcies.
 - Most of the major office developments in the area have gone back to their lenders, particularly in the 190th Street Corridor.

Inventory and Vacancy

- As of the first quarter 1992, there are approximately 30 million square feet of office space in the South Bay inventory with 6 million square feet vacant (20%).
 - Vacancy rates have ranged between 17% and 23% over the past six years.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY





October 23, 1992

11902.00

Mr. Merle Pautsch McDonnel Douglas Realty Company 18881 Von Karman Avenue, #1200 Irvine, CA 92715

Regarding: Evaluation of Potential Parcelization Effects - Torrance Facility

Dear Merle:

Per your request, we have very briefly studied the possible acreage losses due to and costs associated with streets for two lot size scenarios. For purposes of the study, we utilized a 66' Right of Way industrial street section, parcel size constraints outlined below, and the assumption that all street would be new and costs would include paving, curb and gutter, sewer mainline, water mainline, fire hydrants, street lights, and storm drains.

The results are shown below:

	OPTION 1	OPTION 2
Total Site	171 Acres	171 Acres
Lot Size	3-5 Acres	10-15 Acres
Lot Count	33	14
Street Area (% of Total)	22 Acres (12.8%)	13 Acres (7.6%)
Magnitude Street Cost	\$2,700,000	\$1,600,000

As we discussed, much value engineering would eventually occur to optimize use of existing utilities and paved roadways when possible. If you should decide to study the issue further, please don't hesitate to ask as we are sure that many possibilities exist.

sincerely,

KEITH ENGINEERING, INC. dba THE KEITH COMPANIES

Eric O. Nielsen, P.E.

vice President, Engineering

8998-SEF-11902-L

(714) 568-7000 2995 Red Hill Avenue, Costa Mess, CA 92626 ¥

Planning Engineering

Environmental Services

Landecape Architecture

Land Surveying

Public Works

Water Recourses



August 26, 1992

3170 E. Washington Blvd. P.O. Box 23427 Los Angeles, CA 90023 Phone: (213) 269-0633 (800) 421-6158 FAX: (213) 581-3358 Cal. Cont Lic. 021064

McDonnell Douglas Corporation McDonnell Douglas Realty Company 18881 Von Karman Avenue Suite 1200 Irvine, CA 92715

Attn.: Merle G. Pautsch

Sr. Vice President, Development

Re.: Proposed Demolition of Torrance Facility

Torrance, CA

Dear Mr. Pautsch:

Cleveland Wrecking Company is pleased to present its budgetary proposal for the demolition of the Douglas Aircraft Torrance Facility.

As we understand, a shut-down and dismantlement of these Torrance facilities is currently being planned, and you are seeking preliminary estimates on the cost of demolition scope of work.

Our budgetary figures have been developed using your aerial site photograph as reference, and the information which you have provided to us.

Please bear in mind that the demolition figures are based on the demolition work being exclusive of any environmental, asbestos abatement, or haz-mat considerations. Obviously, on a project of this nature, environmental concerns and decontamination will be a factor and needs to be budgeted accordingly. This is briefly discussed elsewhere in this letter.

For the discussion purposes, we have broken the scope of work into segments.

The initial segment of work involves demolition of steel framed factory buildings down to slab. The greatest portion of the *above grade* work is composed of these steel framed factory buildings and structures.

Due to the fact that the steel and other metals in these structures is a recyclable asset, the *net cost* of this portion of work to *grade elevation* is relatively negligible, when offset by scrap and salvage values. Please bear in mind that under good scrap market conditions, these steel frames buildings and structures above grade would be considered an asset.

For the purposes of this estimate, we have used current general market conditions as the basis of our price. Should scrap pricing change significantly, this would have a significant impact on the overall net cost. We are hoping that the scrap market has neared bottom, and that improvement will come within the nest several months, but this is tied to the general condition of the economy and heavy industries.

The cost to demolish all other types of structures on the site, down to their slab elevations has also been considered in this estimate. These various types of construction include wood frame and stucco, reinforced masonry, unreinforced masonry, and concrete tilt-up. This demolition work will involve the demolition, removal and disposal of the various building elements at dump sites or landfills. This portion of work constitutes a moderate cost factor.

The major cost impacts on this project will be related to the demolition and removal of the below-grade slabs, foundations, substructures. This would be the excavation and removal cost for the building slabs, pads, substructures, including pits, machine bases, basement areas, and perimeter footings. A reasonable allowance for these removals is included in this proposal.

Please bear in mind that without plans and as-built drawings we can only make an educated guess as to the value of this sub grade work. If there are a significant amount of deep heavy equipment foundations and concealed major substructures on the site, you may want to add a significant contingency to your budget. Of course, the depth and size of these removals will also impact the recompaction and restoration of the site.

The remainder of the site consists of asphalt paving. The cost to remove the paving has also been included in the this estimate.

Due to a large volume of solids, including concrete, masonry and asphalt, we believe that on-site crushing and processing of this material into a crushed base is the most reasonable approach. This will yield approximately 250,000 net tons of Class 2 Type base material. This material when stockpiled and left on site can be regarded as an asset which can then either be sold or utilized for future on-site development.

Though our budgetary proposal has been based upon leaving voids from basement and pit removals, as per your instructions, it should be remembered that the Class 2 materials can be used for backfill of voids, should that be required by the City of Torrance.

Based upon these factors, we feel that under current market conditions the demolition, site clearing, and crushing operations can be completed for approximately \$4,250,000.00 (Four Million Two Hundred Fifty Thousand Dollars).

We believe that off-site hauling and disposal of the aforementioned materials would add at least several hundred thousand dollars to the budget figure quoted herein.

As noted previously, this figure assumes current market price for the ferrous and non-ferrous scrap materials which would be generated from the site.

As you have instructed, we have been conservative in our estimation of other salvage. We understand that boilers, machinery, generators, and other salvageable items may be salvaged or moved by others prior to our work. We have not made any major allowance for this equipment and any detached plant assets in this bid. We have assumed however, that the main power grid and utility systems would be left intact.

Environmental Issues:

As you are probably aware, there are a number of potential environmental issues regarding this site that will need to be addressed prior to demolition.

In our site inspection, I noticed the presence of asbestos fireproofed steel and asbestos pipe insulation. There are also several thousand fluorescent light fixtures throughout the plant whose ballasts can be expected to contain PCB's.

In the machine tool areas, it was also noted that the concrete surrounding the machines was well soaked with machine oils of various types. Of course, there may be soils contamination in these and other areas around the plant.

Our budgetary proposal does not include cost for the remediation or removal of any of the items listed in this section.

We would like to point out to you that Cleveland Wrecking Company and it's subsidiary, Cleveland Environmental Services, Inc. have in-house capabilities to handle all of these decontamination, asbestos abatement, and haz-mat issues.

We have the ability to handle all of these items, along with demolition work, in a "turn-key" fashion in the most reasonable and practical approach. We would welcome the opportunity to explore these areas upon receipt of your environmental assessment and surveys.

In closing, Cleveland Wrecking Company appreciates the opportunity to formulate this budgetary proposal for McDonnell-Douglas Aircraft. We have many years of experience demolishing and salvaging major plants and facilities such as your Torrance Facility.

Please note, that we are the largest demolition contractor in the United States and have been in business for over 83 years. Our resources, experience, and creativity are a perfect fit with the needs of this challenging project.

I am including with this proposal a brochure on our company's background and capabilities. I hope you will find the time to look through it.

As we discussed on the telephone, if you require any clarifications, or have any questions regarding our proposal, please feel free to contact me at your earliest convenience.

Sincerely

Lawrence E. Grauman Project Manager / Estimator

LEG:jw

MOTHERWAY SEP 0 9 1992

ROUTE TO:

From: Tom Mothe	rwey	
FileLinde		
		-
		-
Lise Widmier		
Chuck Ven Kull	-	-
Frank Romagnano	-	**********
Merle Pautsch		
Tom Overturf		
Susan McKinniss		-
Phil Cyburt	-	
	Forward	Сору
NOOTE TO:		